

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

DOCKET NOS. 85-78-E, 86-188-E and 91-216-E - ORDER NO. 96-337

MAY 10, 1996

IN RE: Duke Power Company's Filing of Rate	)	ORDER APPROVING
Decrement Rider for Interim True-up	)	RATE DECREMENT
of Deferral Accounts.	)	RIDER FOR INTERIM
	)	TRUE-UP OF
	)	DEFERRAL ACCOUNTS

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of a letter dated April 22, 1996, filed by Duke Power Company (the Company) pursuant to previous Commission orders in Docket Nos. 85-78-E, 86-188-E and 91-216-E, seeking approval of a net decrement rider of 0.43¢/kwh. The purpose of the rider is to implement an interim true-up of the Catawba levelization and demand-side management (DSM) deferral accounts. The filing was made pursuant to S.C. Code Ann., Section 58-27-870 (F) (Supp. 1995). Duke requested that the decrement rider be effective for bills rendered on and after June 1, 1996.

Docket Nos. 85-78-E and 86-188-E were general rate cases filed chiefly to recover costs associated with the Company's Catawba Nuclear Station (Catawba). One major component of cost related to Catawba was the purchase of power from the Catawba Joint Owners. Duke entered into agreements with North Carolina Electric Membership Corporation and Saluda River Electric Cooperative, Inc.

(Cooperatives) to buy-back power for a period of ten years ending in 1995. Duke also entered into agreements with North Carolina Municipal Power Agency and Piedmont Municipal Power Agency (Municipals) to buy-back power for a period of fifteen years ending in the year 2000. The buy-back agreements called for Duke to purchase decreasing annual amounts. The establishment of rates adequate to cover the first year's buy-back requirement would have resulted in rate shock to the Company's South Carolina retail customers and would have required frequent rate adjustments to recognize the declining buy-back requirements.

In order to alleviate rate shock, as well as to provide rate stability, the Commission found that levelization of the costs associated with the buy-back of power from the Cooperatives and Municipals would be appropriate. The Commission further stated that at the end of the levelization periods a true-up should be made and rates should be adjusted to reflect the end of the levelization periods. The levelization associated with the buy-back of power from the Cooperatives ended October 31, 1991 and the levelization associated with the buy-back of power from the Municipals ended April 30, 1994. Subsequent to the ending of the stated levelization periods, Duke continued the previously approved levelization accounting. That is, Duke continued to defer the difference between the level of purchased power expense associated with the buy-back arrangements reflected in rates and the actual buy-back cost incurred.

Duke has commitments to continue purchasing power from the Joint Owners through the year 2000. Therefore, the rate decrement rider reflects only an interim true-up of the Catawba levelization. Duke recognizes that a final true-up will be necessary some time subsequent to the completion of the Company's buy-back obligation and after a final review and audit by the Commission Staff and other parties and a final ruling by the Commission.

In Docket No. 91-216-E, the Company's last general rate case proceeding, the Commission directed the establishment of a deferral account for DSM costs actually incurred by the Company above the test year level for those programs that met criteria established in conjunction with the Company's Integrated Resource Plan. The Commission found that if it was determined that the costs were prudently incurred for used and useful DSM programs, the balance in the deferral account would be reflected in Duke's rates by amortizing the balance over a period of five years. A provision was made to extend the amortization period if amortization over a five year period would have a significant impact on rates. In accordance with the Commission's finding that the DSM deferral account should be amortized in rates over a period of five years or longer, Duke has filed for the amortization of the DSM deferral account to begin in conjunction with the interim true-up of the Catawba levelization account in order to minimize the impact of such amortization on rates. Duke again recognizes that this amortization represents only an interim adjustment to the DSM

deferral account, and that the final disposition of the amounts in the account will not be determined until the amounts have been reviewed and audited by the Commission Staff and other parties and ruled on by the Commission.

Duke stated that all other aspects of the two deferral accounts will stay in place as previously established and approved by the Commission with the understanding that the rate decrement rider represents only an interim true-up and that a final true-up of both accounts will be necessary in the future.

The Commission has carefully reviewed the Company's filing as well as previous orders issued in the relevant dockets and finds that it is appropriate to implement the rate decrement rider at this time to reflect an interim true-up of the Catawba levelization and DSM deferral accounts. The Commission, in approving this rate decrement rider, is acting pursuant to the authority granted by S.C. Code Ann., Section 58-27-870(F) (Supp. 1995).

IT IS THEREFORE ORDERED:

1. That Duke Power Company implement a rate decrement rider of 0.432¢/kwh including revenue related tax factor, to reflect an interim true-up of the Catawba levelization and DSM deferral accounts effective for bills rendered on and after June 1, 1996.

2. That Duke Power file, no later than June 1, 1996, schedules of its electric rates and charges incorporating the decrement rider of 0.432¢/kwh approved herein.

3. That Duke shall continue to account for the Catawba levelization and DSM deferral accounts as established and approved in previous Commission orders.

4. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)